



SECURITIES AND EXCHANGE COMMISSION

[SEC File No. 270-649; OMB Control No. 3235-0701]

Submission for OMB Review; Comment Request; Extension: Rule 18a-1

Upon Written Request, Copies Available From:
Securities and Exchange Commission
Office of FOIA Services
100 F Street, NE
Washington, DC 20549-2736

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (“PRA”) (44 U.S.C. 3501 et seq.), the Securities and Exchange Commission (“Commission”) has submitted to the Office of Management and Budget (“OMB”) a request for approval of extension of the previously approved collection of information provided for in Rule 18a-1 (17 CFR 240.18a-1), under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (“Exchange Act”).

Rule 18a-1 establishes net capital requirements for nonbank security-based swap dealers that are not also broker-dealers registered with the Commission (“stand-alone SBSDs”). First, under paragraphs (a)(2) and (d) of Rule 18a-1, a stand-alone SBSD may apply to the Commission to be authorized to use internal value-at-risk (“VaR”) models to compute net capital and a stand-alone SBSD authorized to use internal models must review and update the models it uses to compute market and credit risk, as well as back-test the models. Second, under paragraph (f) of Rule 18a-1, a stand-alone SBSD is required to comply with certain requirements of Exchange Act Rule 15c3-4 (17 CFR 240.15c3-4). Rule 15c3-4 requires OTC derivatives dealers and firms subject to its provisions to establish, document, and maintain a system of internal risk management !

controls to assist the firm in managing the risks associated with business activities, including market, credit, leverage, liquidity, legal, and operational risks. Third, for purposes of calculating “haircuts” on credit default swaps, paragraph (c)(1)(vi)(B)(1)(iii) of Rule 18a-1

requires stand-alone SBSBs that are not using internal models to use an industry sector classification system that is documented and reasonable in terms of grouping types of companies with similar business activities and risk characteristics. Fourth, under paragraph (h) of Rule 18a-1, stand-alone SBSBs are required to provide the Commission with certain written notices with respect to equity withdrawals. Fifth, under paragraph (c)(5) of Appendix D to Rule 18a-1 (17 CFR 240.18a-1d), stand-alone SBSBs are required to file with the Commission two copies of any proposed subordinated loan agreement (including nonconforming subordinated loan agreements) at least 30 days prior to the proposed execution date of the agreement. Finally, under paragraph (c)(1)(ix)(C) of Rule 18a-1, a nonbank SBSB may treat collateral held by a third-party custodian to meet an initial margin requirement of a security-based swap or swap customer as being held by the nonbank SBSB for purposes of the capital in lieu of margin charge provisions of the rule if certain conditions are met. In particular, the SBSB must execute an account control agreement and must maintain written documentation of its analysis that in the event of a legal challenge the account control agreement would be held to be legal, valid, binding, and enforceable under the applicable law.

The aggregate annual burden for all respondents is estimated to be 21,024 hours. The aggregate annual cost burden for all respondents is estimated to be \$ 2,598,500.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

The public may view background documentation for this information collection at the following website: www.reginfo.gov. Find this particular information collection by selecting "Currently under 30-day Review - Open for Public Comments" or by using the search function. Written comments and recommendations for the proposed information collection should be sent by **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION OF THIS NOTICE IN THE FEDERAL REGISTER]** to

(i) www.reginfo.gov/public/do/PRAMain and (ii) David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, c/o John Pezzullo, 100 F Street, NE, Washington, DC 20549, or by sending an e-mail to: PRA_Mailbox@sec.gov.

Dated: September 12, 2022.

J. Matthew DeLesDernier,

Deputy Secretary.

[FR Doc. 2022-20018 Filed: 9/14/2022 8:45 am; Publication Date: 9/15/2022]